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Macroeconomic policy questions: external debt crisis and development

Draft resolution submitted by the Vice-Chairman of the Committee, Ms. Anne Barrington (Ireland), on the basis of informal consultations held on draft resolution A/C.2/55/L.38

Enhancing international cooperation towards a durable solution to the external debt problem of developing countries

The General Assembly,

Recalling its resolutions 51/164 of 16 December 1996, 52/185 of 18 December 1997, 53/175 of 15 December 1998 and 54/202 of 22 December 1999 on enhancing international cooperation towards a durable solution to the external debt problems of developing countries,

Taking note of the report of the Secretary-General on recent developments in the debt situation of developing countries,[1]

Recalling the United Nations Millennium Declaration of the Heads of State and Government, adopted on 8 September 2000,[2]

Noting with concern the continuing debt and debt-servicing problems of heavily indebted developing countries as constituting an element adversely affecting their development efforts and economic growth, and stressing the importance of alleviating once and for all, where applicable, their onerous debt and debt-service burden with the aim of attaining a sustainable level of debt and debt service,

Noting with great concern the continuing high debt burden borne by most African countries and least developed countries, as exacerbated, inter alia, by the declining trend in commodity prices, and noting also that the financial crisis has aggravated the debt-service burdens of many developing countries, including low-income and middle-income countries, particularly in the context of meeting their

[1] A/55/422.
[2] Resolution 55/2.

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international debt and debt-servicing obligations in a timely fashion despite serious external and domestic financial constraints,

Reaffirming the need for considering further measures, as appropriate, for dealing with the external debt and debt-servicing problems of developing countries in an effective, equitable and development-oriented manner, in order to help them exit from the rescheduling process and unsustainable debt burdens, and also welcoming efforts already made in this regard,

Welcoming and emphasizing the importance of the efforts of debtor countries, despite the great social cost often involved, in pursuing economic reforms and structural adjustment programmes aimed at achieving stability, raising domestic savings and investments, attaining competitiveness to take advantage of market access opportunities, where available, reducing inflation, improving economic efficiency and addressing the social aspects of development, including the eradication of poverty as well as the development of social safety nets for the vulnerable and poorer strata of their populations, and encouraging them to continue in these efforts,

Recognizing that close attention should be paid to the impact of economic reforms on the poor and in this context that the Heavily Indebted Poor Countries Debt Initiative-related country-owned Poverty Reduction Strategy Papers should contribute to poverty reduction,

Stressing the need for continuing global economic growth, equitable distribution of the opportunities and benefits of globalization and a continuing supportive international economic environment with regard to, inter alia, terms of trade, commodity prices, improved market access, trade practices, access to technology, exchange rates and international interest rates, and noting the continued need for resources for sustained economic growth and sustainable development of the developing countries, in accordance with the relevant General Assembly resolutions and the outcomes of recent United Nations conferences,

Noting that mechanisms such as debt rescheduling and debt conversions alone are still not sufficient to resolve all the problems relating to long-term debt sustainability and, in this connection, stressing the continuing need for sound macroeconomic policies as well as the need for full, swift and effective implementation of initiatives that will further assist developing countries, in particular the poorest and most heavily indebted countries, especially in Africa, in their efforts to improve their debt situation in view of their continued very high levels of total debt stock and debt-service burdens,

Welcoming the enhanced Heavily Indebted Poor Countries Initiative launched by the Group of Seven major industrialized countries at their meeting held in Cologne, Germany, from 18 to 20 June 1999, and the decisions of the International Monetary Fund and the World Bank in October 1999 on the enhanced initiative that are designed to provide deeper, broader and faster relief,

Welcoming also the actions taken by creditor countries within the framework of the Paris Club and by some creditor countries through the cancellation of bilateral debts, and urging all creditor countries to participate in efforts to treat the external debt and debt-servicing problems of developing countries,

Welcoming further the adoption by the Executive Boards of the International Monetary Fund and the World Bank of a number of measures to speed up the implementation of the enhanced Heavily Indebted Poor Countries Initiative, including greater flexibility on track record with a focus on policy implementation, as well as the emphasis that the decision point may be reached and that debt relief may be provided before the finalization of full Poverty Reduction Strategy Papers as long as interim Poverty Reduction Strategy Papers are agreed, and noting with appreciation their approval of proposals to streamline preliminary heavily indebted poor countries documents,

Recognizing that the full implementation of the enhanced Heavily Indebted Poor Countries Initiative will require substantial financial resources and, in this regard, stressing the need for fair, equitable and transparent burden-sharing among the international public creditor community and other donor countries, and also stressing the need to adequately fund the Heavily Indebted Poor Countries Trust Fund and the Poverty Reduction and Growth Facility-Heavily Indebted Poor Countries Trust Fund and, in this regard, welcoming the contributions and pledges made by donors to the Trust Funds,

Noting with concern that some highly indebted middle-income developing countries are facing serious difficulties in meeting their external debt-servicing obligations owing, inter alia, to liquidity constraints,

Stressing that effective management of the debt of developing countries, including middle-income countries, is an important factor, among others, in their sustained economic growth and in the smooth functioning of the world economy,

Stressing also the importance of a sound enabling environment for effective debt management,

1. *Recognizes* that effective, equitable, development-oriented and durable solutions to external debt and debt-service burdens of developing countries can contribute substantially to the strengthening of the global economy and to the efforts of developing countries to achieve sustained economic growth and sustainable development in accordance with the relevant General Assembly resolutions and the outcomes of recent global conferences;

2. *Reaffirms* the need, as expressed in the United Nations Millennium Declaration,[2] for the international community to deal comprehensively and effectively with the debt problems of low- and middle-income developing countries through various national and international measures designed to make their debt sustainable in the long term;

3. *Calls* for the full, speedy and effective implementation of the enhanced Heavily Indebted Poor Countries Initiative and, in this regard, stresses the need for the donor community to provide the additional resources necessary to fulfil the future financial requirements of this initiative, hence welcomes the agreement that heavily indebted poor countries financing should be reviewed analytically, separately from International Development Association replenishment requirements but back to back with thirteenth replenishment meetings of the Association, and calls upon all donors to participate fully in this process;

4. *Calls upon* the heavily indebted poor countries in this regard to take as soon as possible the policy measures necessary to become eligible for the enhanced Heavily Indebted Poor Countries Initiative and to reach the decision point;

5. *Reiterates* its call upon industrialized countries, as expressed in the United Nations Millennium Declaration in the context of addressing the special needs of the least developed countries, to agree to cancel all official bilateral debt of the heavily indebted poor countries in return for their making demonstrable commitments to poverty reduction;

6. *Stresses* the importance of continuing to implement the enhanced Heavily Indebted Poor Countries Initiative flexibly, noting the provision of significant interim debt relief between the decision and completion points and taking due account of the policy performance of the countries concerned in a transparent manner and with the full involvement of the debtor countries, inter alia, for the setting of the floating completion point, and in this regard stresses the importance of nationally owned Poverty Reduction Strategy Papers;

7. *Also stresses* the importance of continued flexibility with regard to the enhanced Heavily Indebted Poor Countries Initiative eligibility criteria, particularly for countries in post-conflict situations;

8. *Notes* the importance of the International Monetary Fund and the World Bank's continuing their efforts to strengthen the transparency and integrity of debt sustainability analysis and also notes the importance of cooperation with debtor countries to obtain relevant information;

9. *Welcomes* the framework for strengthening the link between debt relief and poverty eradication, and stresses the need for its continued flexible implementation, recognizing that, while the Poverty Reduction Strategy Papers should be in place by the decision point, on a transitional basis the decision point could be reached with agreement on an interim Poverty Reduction Strategy Paper, but that in all cases demonstrable progress in implementing a poverty reduction strategy would be required by the completion point;

10. *Emphasizes* that poverty reduction programmes as linked to the implementation of the enhanced Heavily Indebted Poor Countries Initiative must be country-driven and in accordance with the priorities and programmes of countries eligible under the Initiative, and stresses the importance of the participatory process that involves civil society in this regard;

11. *Welcomes* the decision of those countries that have cancelled bilateral official debt, and urges creditor countries that have not done so to consider full cancellation and equivalent relief of bilateral official debts of countries eligible under the Heavily Indebted Poor Countries Debt Initiative and, as appropriate, action to address the needs of post-conflict countries, in particular those with protracted arrears, developing countries affected by serious natural disasters and poor countries with very low social and human development indicators, including the possibility of debt-relief measures, and stresses the importance of building coalitions with civil society organizations and non-governmental organizations in all countries to ensure in the shortest possible time the implementation of pronouncements on debt forgiveness;

12. *Notes* that the multilateral debt-relief funds can have a positive impact in respect of assisting Governments in safeguarding or increasing expenditures on priority social sectors, and encourages donors and other countries in a position to do so to continue efforts in this regard in the context of the enhanced Heavily Indebted Poor Countries Initiative;

13. *Emphasizes* the need to secure adequate funding for an overall financing plan for the enhanced Heavily Indebted Poor Countries Initiative, including in particular the Heavily Indebted Poor Countries Trust Fund and the Poverty Reduction and Growth Facility-Heavily Indebted Poor Countries Trust Fund in the context of fair, equitable and transparent burden-sharing;

14. *Stresses* the principle that funding of any debt relief should not affect adversely the support for other development activities in favour of developing countries, including the level of funding for the United Nations funds and programmes, and in this regard welcomes the decision of the Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund on the Transfer of Real Resources to Developing Countries (Development Committee) that financing of debt relief should not compromise the financing made available through concessional windows such as the International Development Association, and expresses its appreciation to those developed countries that have reached, even gone beyond or recently made commitments towards reaching the agreed target for official development assistance of 0.7 per cent of their gross national product, while at the same time calling upon other developed countries to meet this target for official development assistance as soon as possible;

15. *Expresses its appreciation* for the action taken by creditor countries of the Paris Club with regard to the debts of developing countries affected by natural disasters and, in this regard, reiterates the need for relief promises to come to fruition within the shortest possible time-frames in order to free the requisite resources for national reconstruction efforts;

16. *Encourages* the international creditor community to consider appropriate measures in the case of countries with a very high level of debt overhang, including, in particular, the poorest African countries, in order to make an appropriate and consistent contribution to the common objective of debt sustainability;

17. *Recognizes* the difficulties of highly indebted middle-income developing countries and other highly indebted middle-income countries in meeting their external debt and debt-servicing obligations, and notes the serious situation in some of them in the context, inter alia, of significant liquidity constraints, which may require debt treatment, including, as appropriate, debt reduction measures;

18. *Calls* for concerted national and international action to address effectively debt problems of middle-income developing countries with a view to resolving their potential long-term debt-sustainability problems through various debt-treatment measures, including, as appropriate, existing orderly mechanisms for debt reduction, and encourages all creditors, public and private, and debtor countries to utilize to the fullest extent possible, where appropriate, the mechanisms for debt reduction;

19. *Recognizes* the need, even in the event of experiencing a debt problem, to continue to work with creditors in order to facilitate continued access to

international capital markets and, in the event that extraordinary circumstances preclude a country from temporarily meeting its debt-servicing commitments, urges creditors and Governments to work together in a transparent and timely fashion towards an orderly and equitable resolution of the repayment problem including consideration, inter alia, of temporary debt standstill arrangements in exceptional cases;

20. *Notes* the importance of an orderly, gradual and well-sequenced liberalization of capital accounts to strengthen the ability of countries to sustain its consequences so as to mitigate the adverse impact of the volatility of short-term capital flows;

21. *Stresses* that debt relief should contribute to development objectives, including poverty reduction, and in this regard urges countries to direct those resources freed through debt relief, in particular through debt cancellation and reduction, towards these objectives;

22. *Notes* that debt relief alone will not lead to poverty reduction and economic growth and, in this regard, emphasizes the need for an enabling environment including sound economic management as well as an efficient, transparent and accountable public service and administration, and also stresses the need to mobilize financial resources from all sources, in addition to debt-relief measures as well as continued concessional financial assistance, in particular to the least developed countries, in order to support their efforts for achieving economic growth and sustainable development;

23. *Underlines* the utmost importance of implementing the resolve expressed in the United Nations Millennium Declaration to create an environment, at the national and global levels alike, that is conducive to development and to the elimination of poverty, inter alia, through good governance within each country as well as good governance at the international level and transparency in the financial, monetary and trading systems;

24. *Stresses* the need to strengthen the institutional capacity of developing countries in debt management and calls upon the international community to support the efforts towards this end and, in this regard, stresses the importance of initiatives such as the Debt Management and Financial Analysis System[3] and the debt-management capacity-building programme;

25. *Notes* the importance of providing adequate resources for debt-relief measures in the light of the difficulties many developing countries, especially those in Africa and the least developed countries, are facing with respect to mobilizing both domestic and external resources for their development, and in accordance with the United Nations Millennium Declaration calls for special measures to address the challenges of poverty eradication and sustainable development in Africa, including debt cancellation;

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[3] The Debt Management and Financial Analysis System is a computerized system developed by the United Nations Conference on Trade and Development to assist developing countries and countries with economies in transition in developing appropriate administrative, institutional and legal structures for effective foreign and domestic public debt management. By June 1999, the system had been installed in the debt offices of 50 countries in Africa, Asia, Europe and Latin America and the Caribbean.

26. *Stresses* the importance for developing countries of continuing their efforts to promote a favourable environment for attracting foreign investment, thereby promoting economic growth and sustainable development, so as to favour their exit from debt and debt-servicing problems, and also stresses the need for the international community to promote a conducive external environment through, inter alia, improved market access, efforts towards the stabilization of exchange rates and the effective stewardship of interest rates, increased resource flows, access to international financial markets, flow of financial resources and improved access to technology for developing countries;

27. *Calls upon* the international community, including the United Nations system, and invites the Bretton Woods institutions, as well as the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits organized since the beginning of the 1990s on development, as well as of the outcomes of review processes, in particular those related to the question of the external debt problem of developing countries;

28. *Requests* the Secretary-General to report to the General Assembly at its fifty-sixth session on the implementation of the present resolution and to include in his report a comprehensive and substantive analysis of the external debt and debt-servicing problems of developing countries including, inter alia, those resulting from global financial instability.